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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Memorandum

*Yugoslavia: Power to the Center*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
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INTELLIGENCE MEMORANDUM

**Yugoslavia: Power to the Center**

Summary

Tito's purge of prominent liberals is part of a comprehensive program to tighten controls in Yugoslavia. Tito, at 80, is deeply disappointed by the



party's failure to exercise decisive leadership and is making an eleventh-hour effort to strengthen the party's internal discipline and to expand its role in all sectors of Yugoslav life. He is attempting to pass on to his successors his personal creed—that pragmatism, toughness, and a strong sense of direction will see them through future troubles. His problem is to instill these qualities in an organization that, up to now, has displayed laxity, indecision, and truculence.

In the time remaining for him to prepare the country to carry on after he departs, Tito will make further changes in the administration of internal affairs. Police authority will

be increased, economic belt tightening will be forcefully pursued, and dismissal of the over-liberal will continue for some time. Tito will, however, stop short of unleashing an anti-intellectual, anti-technocrat witch hunt. He will stress that no man or institution, no liberal or conservative, is above the party.

Tito is obviously trying to establish a set of political tenets by which his successors can govern. He wants to hold back Yugoslav proclivities toward

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regionalism while strengthening self-management at home and non-alignment abroad. In the wrong hands, however, the new instruments of control could be abused. The party could fail to adapt to Tito's injunctions; further instability, or even disintegration, could result. From Tito's point of view, these are gambles that must be taken in view of his age and the party's failure to instill public confidence in Yugoslav unity. With luck, Tito will live long enough to oversee the first test of his new system.

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## Background

Throughout most of Yugoslavia's post-war history, the federation muddled along with a highly centralized but inefficient political and economic structure. Until the mid-1960s, Belgrade called the shots for the rest of the country. The fact that Serbs controlled most of the levers of power in Yugoslavia inevitably created discord among the other 60 percent of the population. The secret police and the party made certain that the irritations were contained, but the process left a legacy of suspicion of central power that has yet to be dispelled.

The longest crack in this centralized edifice was its inability to organize and direct the economy efficiently. The ill-effects of cronyism in management and the allocation of resources on purely political grounds were in the long run impossible to hide or ignore. In July 1965, the regime introduced a program of economic reform. Departing from the practice of Communist states, Tito decentralized economic decision-making authority, introduced something called "market socialism," and began to replace party hacks with professional managers.

From this beginning, reformists, through good fortune and dedication, went on to dismantle many other features of the centralized system. Their opponents blundered into political errors, most of the leaders were purged, and the programs they advocated became anathema. The reformers' hand was strengthened by the Warsaw Pact invasion of Czechoslovakia in 1968, which united most Yugoslavs in the belief that concentration of power in Belgrade left the country vulnerable to Soviet intimidation. Decentralization thus gained the status of a strategic goal, and virtually every state activity began to devolve to the regional centers. In March 1969, the party itself took its first steps toward less centralism.

In late 1970, the Yugoslavs introduced sweeping constitutional changes that transformed the country into a decentralized federal state, unique in the Communist world. The new system was billed as the way to provide a smooth transition to a post-Tito government. In substance, the reform represented a bold effort to come to grips with Yugoslavia's omnipresent nationalities problem by allowing a maximum of regional autonomy without endangering the integrity of the Yugoslav state. Yugoslav intellectuals and party officials waxed euphoric over the plan; they applauded the expansion of democratic trends and lived what other East Europeans came to see as a Yugoslav *dolce vita*.

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Decentralization, in practice, unleashed regional rivalries that had been more or less quiescent. By April 1971, Tito was bothered enough to convene the party presidium to discuss Croat nationalists, who had seized on decentralization as a means of extricating Croatia from its inferior position vis-a-vis Serbia. Emotions ran high throughout 1971, and the Croats' separatist rhetoric alarmed many Yugoslavs. By late November, Croat nationalism, highlighted by a strike of Zagreb University students over an economic issue, had exceeded Tito's tolerance.

Backed by the military, he ordered a purge. A team of functionaries was sent in to take over in Croatia. Over 600 party members were discharged, and the principal non-party leaders of the Croatian movement were tried, convicted, and imprisoned. In the process, a gulf was created between the republic regime and the Croat people, and that gulf is yet to be bridged.

The events in Croatia apparently convinced Tito that the League of Communists of Yugoslavia had degenerated into an ineffectual factor in the pursuit of Yugoslav unity. Moreover, having turned to the military as his main support for the action in Croatia, Tito faced the disquieting prospect that the military would emerge as the sole force capable of ensuring unity in a post-Tito Yugoslavia.

Tito, therefore, moved to stiffen and recentralize the Federal Party. In so doing, he ran into a number of objections from the regional party barons. These individuals, essentially of a reformist cast, had been flourishing under the decentralization. Even after the Croat affair, the other regional leaders of the party, jealously guarding the power and influence that had fallen into their hands, more or less ignored Tito's demands that they line up behind his drive for a disciplined response to the party's center.

#### **Poor Politics and Bad Economics**

While this was going on, economic difficulties were becoming more obvious. Some of the economy's deficiencies, such as a relatively underdeveloped industrial base and uneven regional development, were inherited from pre-war Yugoslavia. In the post-war years poor planning, regional squabbling over investment funds, and inefficient management have added a number of new problems. The regime's approach to these shortcomings on the economic side have followed twists and turns similar to those in Tito's political program.

The decentralization reforms of 1965 were intended to bolster the economy by compelling the many factories and enterprises spawned by the

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government's forced growth policy of the 1950s to become more efficient or to perish. Even as the 1965 reforms took hold, regional and local pressures for protection from their full effect forced the federal government to make exception after exception. The 1965 reforms not only failed to push inefficient firms out of business, but it also failed to control investment spending and check excessive wage increases. As a result, inflation skyrocketed to the current rate of 15-20 percent per year and the economy was burdened by a perennial balance-of-payments deficit.

Particularly disturbing to Tito—and to economic decision-makers—has been the incessant battle among the six republics over the allocation of investment and foreign exchange. Tito himself has at times seemed powerless to curb the republics' insatiable demands for steel mills, chemical combines, and petroleum refineries. Excessive imports and the construction of uneconomical and duplicative smaller scale facilities have resulted.

Tito lived with these problems for a long time before he acted. In mid-1971, as the Croat issue was fermenting, the regime took measures to choke off imports. In November 1971, a stabilization package, including a price freeze and investment restrictions, went into effect. The package improved the foreign trade picture, but did little to solve domestic economic problems.

For political reasons, the regime did not impose effective wage restrictions, and this omission turned out to be the weak spot in the stabilization program. Workers' councils continued to vote themselves ever larger wages, even when their enterprises were losing money. The insolvent enterprises, kept afloat by local and republic governments, failed to pay debts owed to other firms. This meant that even efficient firms were dragged down into insolvency. Banks that served as middlemen in the repayment of foreign loans had difficulty obtaining payments from insolvent enterprises. The potential damage to Yugoslavia's already shaky foreign credit rating, coupled with the increasing disruption to the domestic economy brought about by widespread insolvency, finally led Tito to blow the whistle.

#### **Another Turn of the Screw**

By the time 1972 rolled around, Tito faced a balky party apparatus, clamorous regional interests, and insolvency in the domestic economy so widespread as to threaten Yugoslavia's already shaky foreign credit rating. Tito decided to take another turn of the screw.

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In January, he moved against the regional bosses by cutting the number of political and provincial members on the powerful Party Executive Bureau from 14 to 8. To revitalize and redirect the bureau, he brought in a number of younger and more dynamic men, charging them to supervise party operations down to the very lowest level. He then called a party conference and forced through a resolution demanding that the regional leaders cooperate with the central authorities in finding new solutions to chronic economic problems.

Movement on both political and economic fronts was slow. In the fall of 1972, Tito launched a series of angry attacks on the lack of revolutionary spirit in the party and on the faltering economy. He threatened to purge 200,000 party members if he had to, but he wanted the party restored as the main force for unity in Yugoslavia. He promised to confiscate the goods of Yugoslavs whose sole goal in life had become the piling up of luxuries. He condemned the breakdown of ideological standards in the conduct of state affairs, criticized independent judges who insisted on strict legalisms, and lashed out at critics in the universities and the press for obstructing the development of the revolution.

Tito had made threats before, and nothing had come of them. This time, however, Tito forced his subordinates to act. He first turned to the Party Executive Bureau. Its major domo, Stane Dolanc, joined Tito in signing a letter to all party organizations and demanding that they immediately begin earnest discussions of the country's problems and Tito's proposed remedies. Dolanc sent party officials to local organizations to determine how forcefully the demand was being carried out. This was, in fact, the executive bureau's first decisive move to undercut the regional party barons. Tito had, in effect, gone around them seeking rank-and-file support, and it worked. Tito's demand for the re-establishment of an action-oriented party and a reversal in elitist socio-economic trends struck a responsive chord throughout the Yugoslav party.

Thus strengthened, Tito next sought to eliminate key personalities opposing his program. The first major victim was Serb party leader Marko Nikezic, who in the heat of the Croat purge had warned against throwing overboard the reforms and returning to a tightly centralized Communist system. The removal of a well-entrenched man like Nikezic was not easy. The top leaders of the Serb Party reportedly rejected Tito's request that Nikezic be dismissed by a vote of 38 to 9, so Tito took his case to the full Serbian Central Committee for action. By this time, Nikezic and his immediate lieutenants could see the handwriting on the wall and resigned. This was

#### MAJOR VICTIMS OF TITO'S PURGE

- \* **Koca Popovic**—Member, collective presidency and national defense council
- \* **Mirko Tepavac**—Federal secretary of foreign affairs
- **Marko Nikezic**—Serb party president, presidium member
- **Latinka Perovic**—Serb party secretary, presidium member
- **Bora Pavlovic**—Belgrade party president, presidium member
- **Mirko Canadianovic**—Vojvodina party president, presidium member
- **Slavko Miloslavlevski**—Macedonian party secretary, presidium member
- **Stane Kavcic**—Slovene premier, presidium member
- **Slobodan Glumac**—Chief editor of *Borba*
- **Gavro Altman**—Chief editor of *Kommunist*
- **Frane Barbieri**—Chief editor of *NIN*
- **Aleksandr Nenadovic**—Chief editor of *Politika*

*\*Resigned in Protest*  
*• Resigned Under Fire*

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only the beginning. Party conservatives seized the opening provided by Tito's drive against regionalism to force out Stane Kavcic, the Slovene premier who had a reputation for regional economic nationalism, and Slavko Milosavljevski, second-ranking man in the Macedonian party and a strong proponent of regional party autonomy.

The purge then reached the media and judiciary. Prominent editors were sacked, and liberal jurists were forced out. Study commissions at the local levels were encouraged to look into the "origins of wealth" of party and non-party members. These tactics all but broke the back of the liberal resistance in the regions to Tito's new program. Tito reinforced the no-back-talk atmosphere by appointing obscure conformists to the vacated leadership posts.

#### **Backing Away From the Brink**

Tito's tactics gave rise to fears that he was off on a general anti-technocratic, anti-liberal witch hunt. Perceiving that this could have a disastrous effect on the economy and the government, Tito in early November 1972 began criticizing factional and personal vendettas as distortions of his desires. His intervention brought a degree of restraint to the situation, although some conservatives, notably among the military and republic party leaders in Bosnia-Herzegovina, have not given up easily.

There were other complications. Protest resignations by two prominent Serbs—Koca Popovic, a highly esteemed fixture in prominent federal posts, and Foreign Minister Mirko Tepavac—bared divisions in the ruling elite and aggravated morale problems. Furthermore, the authorities began to seize "illegally acquired wealth," and this caused several bank runs. Tito reassured workers that their hard-earned savings and the fruits of their labor would not be affected, but he did not deviate from his policy of expropriating the wealth of profiteers.

#### **What Now**

Tito recognizes that the proteges of Nikezic and other liberals, including technocrats, are still strong in the republic regimes. Should they in any way try to subvert his policies, Tito will doubtless order more purges.

A significant increase in police controls is another possibility. Colonel General Ivan Miskovic, a Croat who joined the inner circle as Tito's internal security adviser just before the Croat purge, advocates strengthening the

internal security organs, which were decentralized and greatly weakened after the Rankovic purge in 1966. There have been threats to Yugoslav security that could bolster his case. During 1971, Croat nationalism took on separatist overtones, and Croat emigres actually conducted guerrilla raids in Bosnia in June 1972. Miskovic first proved his loyalty to Tito by helping oust Rankovic and later by clearing Rankovic's men from the then all-powerful security apparatus. Should Tito find it necessary to implement "revolutionary" methods against the opposition, Miskovic stands ready at hand.

Tito has not disclosed what he intends to do in the economic sector. He has disarmed many of his critics and has successfully appealed for worker and mass party support. Nevertheless, plans are afoot for a belt-tightening that will not fall exclusively on the wealthier class. At least a million Yugoslav workers face wage reductions of up to ten percent under a federal law that went into effect last month. It is unlikely that the law, which would hit hardest in the poorest regions, will be fully applied. Instead, it probably will be used selectively to force greater discipline on self-managing workers who demand pay hikes while their factories are losing money. On the books at least, factory managers in unprofitable industries face sharp reductions in investment funds and penalties for failure to meet standing debts.

In the political realm, Tito intends to proceed with institutional guarantees to prevent any loss of party control over Yugoslav society. He has already ordered party organizations to take part in the deliberations of government and mass organizations such as trade unions, youth groups, and the socialist alliance. He has also ordered a special party group to develop propaganda guidelines for the press. These arrangements are intended to be permanent.

Despite Tito's complaints about the corrosive effect of liberalism on discipline, he appears willing to let decentralization of the federal government proceed. This is less than half a loaf for the liberal reforms since the regions will receive greater party supervision and, in some cases, will be directly controlled by the party.

Tito's views on the government decentralization issue will be more fully spelled out next fall, when a second round of constitutional reforms is due to be implemented. The new regulations are expected to extend decentralization to local governments and provide a better balance in the triangle of federal, republic, and local policy-making relationships. Party watchdogs will be on hand at all levels. The party will prevail in any frontal confrontation,

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but adjudicating competing local, regional, and federal interests will be no easy job. The system appears designed to cut short major confrontations at their source, but it could also stifle initiative in the state sector and once again make the party the target of criticism for all failures.

Increased ideological orthodoxy on the domestic scene will affect the conduct of Yugoslavia's foreign relations. Tito's public accusation that Austria's handling of its Slovene minority has neo-Nazi overtones and his decision to whip up anti-Vietnam demonstrations last December sound an already harsher note.

Although occasional bitter exchanges with the West can be expected, Yugoslavia will not abandon its policy of independence from Moscow. The recent rapprochement with Moscow and the cessation of polemics have, from Belgrade's point of view, been primarily based on Soviet flexibility toward Yugoslavia. Furthermore, Yugoslavia has not tempered its demands for recognition of the rights of small countries during preliminary talks on European security in Helsinki. In fact, Belgrade is plowing ahead with plans for a meeting of non-aligned Mediterranean nations to discuss the impact of European security on their interests. Yugoslavs have forgotten neither the Soviet-led invasion of Czechoslovakia four years ago nor their own bad experiences at the hands of the Russians. Moreover, they are by nature wary of any foreign subversion.

Nevertheless, a still-uncompleted Soviet credit deal (which may amount to as much as one billion dollars) will, if it is fully carried out, give the Soviets greater leverage in Belgrade and in the regional capitals.

Tito's attempt to energize the mechanisms of control is a key part of his preparations to preserve Yugoslav unity when he has gone. He has not abandoned the basic policy commitment to an independent brand of Marxism and to nonalignment, which he believes is central to Yugoslavia's survival as a nation state. Tito, even at 80, adjusts more quickly and objectively to stresses than any of his likely successors. At best, he will live long enough to watch over a testing period with the new system. At worst, he will die before the system can be tested and leave to lesser men the difficult job of balancing restraints and incentives in leading a country with strong centrifugal tendencies.